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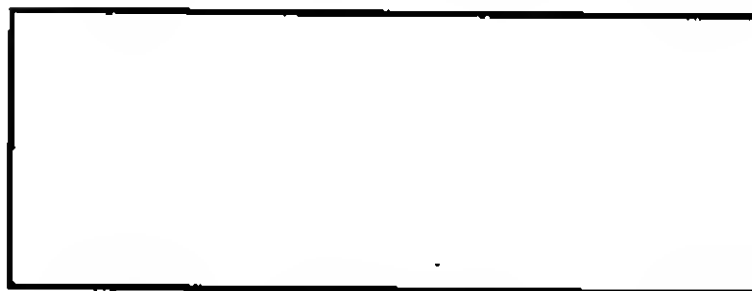
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SOVIET UNION

1. Moscow propaganda reiterates call for prohibition of atomic weapons:

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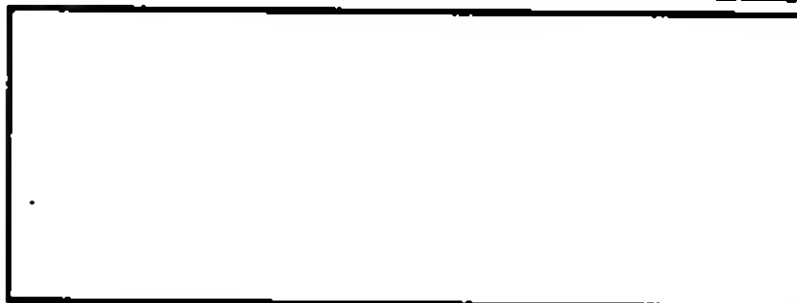
The Soviet press on 18 December carried a statement by the Anti-Fascist Committee of Soviet Women supporting World Peace Council demands for "an energetic struggle for the prohibition of atomic and hydrogen bombs and other weapons of mass destruction."

Ambassador Bohlen notes that the Kremlin has on occasion used demands by such organizations as the forerunner for an official statement.

Comment: This statement reaffirms the USSR's official position on disarmament and semiofficial Soviet comment on President Eisenhower's atomic proposal. Both Vyshinsky and Pravda noted his omission of plans for the banning of atomic weapons.

2. USSR reportedly considering gold loan to Finland:

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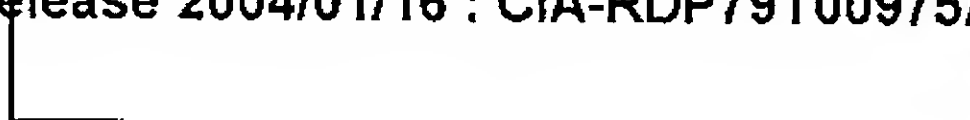
Negotiations concerning a Soviet loan in gold to Finland are to begin in Moscow before the first of the year. The Finns reportedly wish to borrow no more than \$10,000,000, part of which might be repaid in goods. They hope to use part of the loan for purchases of machinery to improve the efficiency of their woodworking industry but think the USSR may require that it be used for industries primarily supplying the Soviet market.

A Finnish Foreign Ministry official stated that he was convinced that some agreement would be reached, despite Soviet attacks on the present government.

Comment: In considering a gold loan to another government, the USSR is departing from its usual practice of confining its lending activity to ruble credits. Finland is the first non-Orbit state to be offered such terms and this loan may aid it to import materials from the West to meet its export commitments to the USSR of manufactured goods.

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FAR EAST

3. Rhee rejects Japanese bid for resumption of talks:

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South Korean foreign minister Pyun informed an American embassy official on 18 December that the draft Japanese statement delivered three days before on the resumption of talks to settle outstanding differences with South Korea was not acceptable to President Rhee. Alleging that Japan wants the United States to intervene in order to "lure South Korea into a trap," Pyun stated that his country could not agree to resume the talks unless Japan apologizes for remarks made by Japanese representative Kubota in previous sessions.

The embassy comments that there is no longer any doubt that Rhee is uninterested in seeking a settlement with Japan without a total acceptance of his demands.

Comment: The proposed Japanese statement, which dissociates the government from Kubota's remarks, is about as far as the Yoshida government can go because of legal and domestic political considerations.

Failure of Rhee to renew the talks will create more agitation in Japan for resorting to force to protect Japanese fishing vessels.

4. Chinese reportedly suggest means of resuming Korean talks:

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The two Chinese Communist representatives at the Korean talks sought out Indian officials there on 15 December in an apparent attempt to explore American intentions and means for resuming the talks. The senior Chinese, asserting that Ambassador Dean had charged the Peiping regime with being a Soviet "stooge," which he regarded as a far worse insult than the Communist charge of American "perfidy," intimated that the Communists would withdraw its accusation if the United States would also retract. The Chinese did not raise with the Indians any of the substantive matters in the suspended talks.

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Comment: Peiping has not repeated its "perfidy" charge since 15 December and daily has reiterated that the talks should be resumed. On 16 December, however, Peiping radio stated that the American proposal of 8 December remained "on every fundamental question . . . utterly unacceptable."

5. Indian official at Panmunjom preparing biased report on prisoner issue:

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A draft report on the Korean prisoner impasse, prepared by Indian political adviser Haksar for submission to the UN General Assembly, is termed "impossible, red-colored, and catastrophic," by the Swiss and Swedish delegates to

the Neutral Nations Repatriation Commission. The report was so strongly biased against the UN Command that the Swiss and Swedes refused to use it even as the basis for discussion in subcommittee.

The two officials believe the NNRC will never agree to a single report. Since the Poles and Czechs also were critical of Haksar's draft, they thought it likely that three separate reports would be submitted to the UN General Assembly.

Comment: General Thimayya, who has been generally sympathetic to the UN viewpoint on the prisoner issue, presumably will modify the Indian version before final action is taken by the NNRC. Most Indian officials, however, still persist in their belief that the prisoners were thoroughly indoctrinated by the UN Command prior to their turnover, and that American agents among them are preventing them from returning to the northern side.

6. Thimayya plans to release Korean prisoners after 22 January:

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General Thimayya's plan for the release of the Korean prisoners after 22 January, if the two sides do not agree otherwise, has been approved by Prime Minister Nehru, according to the Swiss and Swedish representatives to the Neutral Nations Repatriation Commission.

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Thimayya, who believes that the authority of the Indian custodial forces expires on that date, plans to ask both sides to take back custody of the prisoners. If the Communists refuse, he intends to turn the pro-Communist prisoners loose.

The Swedish representative indicated that Thimayya would probably arrange for "orderly opportunities" for the anti-Communist prisoners to be released and be received by the UN Command in a phased process.

Comment: Krishna Menon, Indian representative at the UN, is attempting to have the General Assembly reconvened in early January to discuss the prisoner issue. The Indian foreign secretary told Ambassador Allen on 18 December that India is still uncertain whether the final decision should be made by the UN or the NNRC.

The position of the Indian government on the prisoner release question, which reportedly is to be considered when Krishna Menon returns from London, may be announced by Nehru in his scheduled policy speech to parliament on 23 December.

SOUTHEAST ASIA

7. Comment on Indonesian government's reply to army commanders:

On 18 December the Indonesian government announced that recent staff changes in the army are entirely legal and that it would not tolerate public statements by army officers on matters "which are the exclusive concern of the government." The announcement is in reply to an ultimatum by four of Indonesia's seven territorial commanders that unless the government dismisses new army staff appointees by 23 December, they will no longer recognize the defense minister's authority.

Should the commanders accept the government statement, the way is open for increased leftist penetration of the army. Should they continue their opposition, there is an increased prospect of armed rebellion.

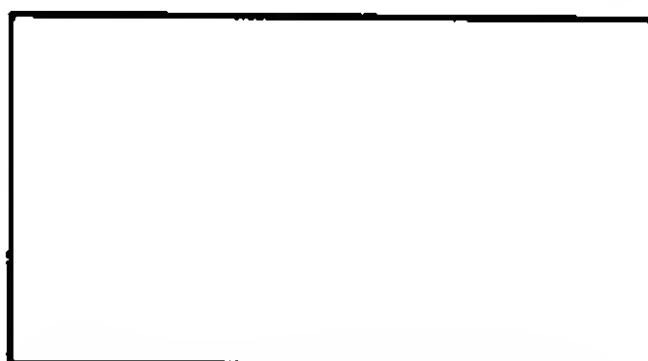
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NEAR EAST - AFRICA

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9. Israel threatens imminent resumption of work on Jordan River diversion:

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Israeli ambassador Eban told Ambassador Lodge at the UN that Israel "would simply resume work" on the Jordan River diversion project if the Security Council does not adopt the UK-US-French resolution empowering General Bennike to use his discretion in settling this issue.

President of the Security Council Kyrrou of Greece doubts that the joint resolution, vigorously opposed by the Arabs, could obtain the necessary seven votes.

Comment: Any move by Israel to resume work on the diversion project, under present circumstances, would incite the Arabs to further denouncements of the West. While the Arabs would probably not attack Israeli forces protecting workmen on the project, immediate enlargement of "border incidents" would probably result.

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WESTERN EUROPE

10. France apparently supports Yugoslav position on Trieste:

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A proposal for a Trieste conference was made by Foreign Minister Bidault to Foreign Secretary Eden on 16 December. This proposal, which was also communicated to Yugoslavia as the new French position, is almost identical to the one expressed on 8 December to the French by the Yugoslav ambassador in Paris.

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Comment: In the past, the French have generally supported the Italian position on Trieste. The reason for the apparent shift in the French position is not known. The terms outlined in the new proposals would probably be considered unacceptable by the Italians.

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